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Sugarcane Workers Protest Falling Prices

Report Categories:

Sugar

Agriculture in the News

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Report Highlights:

Groups of sugarcane workers throughout Mexican producing regions have occupied sugar mill warehouses over the past few days in protest of low prices. These actions have been non-violent and in several cases, the warehouse exits are simply monitored to ensure departing trucks contain either sugar destined for export or sugar sold at or above the cane workers target price of 400 pesos per 50 kilogram bag. Government authorities, cane worker unions, and industry leaders (mill owners and sugar trading firms) are meeting regularly to reach a mutually agreeable solution. The sector will resurrect a sugar export promotion program operated by the private sector with government supervision. The sugarcane harvest and sugar production continue apace.

General Information:

Groups of sugarcane workers throughout Mexican producing regions have occupied sugar mill warehouses over the past few days in protest of low prices. These actions have been non-violent and in several cases, the warehouse exits are simply monitored to ensure departing trucks contain either sugar destined for export or sugar sold at or above the cane worker's target price of 400 pesos per 50 kilogram bag. These cane worker groups are comprised of both plantation employees and small holders who operate their own sugarcane farms. Government authorities, cane worker unions, and industry leaders (mill owners and sugar trading firms) are meeting regularly to reach a mutually agreeable solution. The sector plans to resurrect a sugar export promotion program operated by the private sector with government supervision. This program, known as FIDCAÑA, was created in 2008, but due to favorable prices, has not been called upon until now.

Cane workers rely on sugar mills for payment for their product (or labor). A complicated formula, enshrined in Mexican law, dictates that a portion of the value of sugar produced in Mexico is returned to growers via multiple pre and post-harvest payments from the mills (for more information on the sugarcane reference price, see GAIN [MX2076 Sugarcane Reference Price Up Slightly](#)). Mills, in turn, generate proceeds to pay for cane through sales of sugar to domestic and international buyers. Consequently, when sugar prices are low, payments received by cane growers are reduced accordingly. The vast majority of international sales are in the form of exports to the U.S., both because of typically higher U.S. prices and because Mexican sugar prices are typically higher than international prices. Normally a surplus producer of sugar, Mexico has also at times opened import quotas to reduce domestic prices (see quota discussions in GAIN [MX2019 Mexico Sugar Annual](#) and [MX2068 Mexico Sugar Semi-annual](#)). The quota openings during the last two years, two of which generated significant imports while the other generated none, are cited by cane growers as a main reason for the declining prices that they are currently protesting. Some analysts have predicted declining prices in Mexico, based on the large jump in sugar production projected for Mexico this year, falling sugar prices in the U.S. (See [ERS Sugar and Sweeteners Outlook](#), January 17, 2013), and falling world prices, as world sugar supplies moved from the deficit situation of the last couple years to an expected surplus.

The warehouse "seizures" occurred over the 3rd weekend of January. Cane workers told the press that they had three demands: 1) that all available sugar stocks be exported, 2) that the government stop all sugar imports, and 3) that the government stop imports of HFCS from the U.S. HFCS use had been growing in Mexico since the 2008 NAFTA implementation with small amounts of domestic production supported by significant and growing imports from the U.S. HFCS has mainly been replacing sugar in the local beverage industry. Growth in HFCS imports slowed considerably in marketing year 2011/12 (October-September) and volumes have even declined slightly (year over year) in the last quarter of 2012.

The resurrected FIDCAÑA is a private sector program for both cane growers and mill owners and traders. The main goal of the program will be to promote exports of Mexican sugar. Post believes that, currently, the government's roll will be to provide sugar data (production, prices, trade flows, etc) and to ensure the program is operating according to legal requirements. At this time, it does not appear that the GOM will be providing subsidies to facilitate the export of "surplus" sugar from Mexico. FIDCAÑA may be serving as a signal to the market that that the government is willing to act forcefully to address falling sugar prices. In fact, domestic prices have risen somewhat in the last several days.

It is not clear how much longer sugarcane workers will occupy sugar mill warehouses. Thus far, these actions have not impacted the pace of the cane harvest or sugar production. Please see the latest WASDE for USDA's official estimates and forecasts of Mexico's sugar sector.

**Table 1. Mexico: Average Wholesale Sugar Prices in Mexico City
MX Pesos per 50 Kilograms – Bulk (CIF Basis)**

Month	Standard			Refined		
	2011	2012	Percent Change	2011	2012	Percent Change
January	505.63	585.30	15.75	569.59	693.67	21.78
February	497.38	555.58	11.70	566.67	664.33	17.23
March	509.73	523.88	2.77	563.66	622.50	10.43
April	517.79	516.97	(0.15)	566.25	611.92	8.06
May	535.27	566.61	5.85	578.33	666.67	15.27
June	536.17	513.06	(4.31)	581.67	613.33	5.44
July	560.50	490.57	(12.47)	603.34	604.53	0.19
August	624.77	447.78	(28.32)	661.33	582.08	(11.98)
September	637.50	416.21	(34.71)	678.25	543.75	(19.83)
October	718.13	422.33	(41.19)	739.17	527.00	(28.70)
November	686.17	397.00	(42.14)	729.20	495.17	(32.09)
December	621.83	383.09	(38.39)	710.00	475.55	(33.02)

Source: Servicio Nacional de Información de Mercados [SNIIM-ECONOMIA](#)

**Table 2. Mexico: Average Wholesale Sugar Prices in Mexico City
MX Pesos per 50 Kilograms – Bulk (CIF Basis)**

Month	Standard			Refined		
	2012	2013	Percent Change	2012	2013	Percent Change
January	585.30	343.50*	(41.31)	693.67	424.17*	(38.85)
February	555.58	N/A	N/A	664.33	N/A	N/A
March	523.88	N/A	N/A	622.50	N/A	N/A
April	516.97	N/A	N/A	611.92	N/A	N/A
May	566.61	N/A	N/A	666.67	N/A	N/A
June	513.06	N/A	N/A	613.33	N/A	N/A
July	490.57	N/A	N/A	604.53	N/A	N/A
August	447.78	N/A	N/A	582.08	N/A	N/A
September	416.21	N/A	N/A	543.75	N/A	N/A
October	422.33	N/A	N/A	527.00	N/A	N/A
November	397.00	N/A	N/A	495.17	N/A	N/A
December	383.09	N/A	N/A	475.55	N/A	N/A

Source: Servicio Nacional de Información de Mercados [SNIIM-ECONOMIA](#)

*Through 3^{er} Week of January 2013

Table 3. Mexico: Monthly Exchange Rate

Averages for 2010-2013				
MX Pesos per U.S. \$1.00				
	2010	2011	2012	2013
January	12.80	12.13	13.46	12.81*
February	12.95	12.06	12.79	
March	12.59	12.00	12.75	
April	12.23	11.73	13.05	
May	12.71	11.64	13.60	
June	12.72	11.80	13.94	
July	12.65	11.67	13.37	
August	13.15	12.22	13.18	
September	12.84	12.97	12.95	
October	12.44	13.49	12.88	
November	12.33	13.67	13.08	
December	12.39	13.73	13.86	
Annual Avg	12.65	12.42	13.15	

Source: Mexican Federal Register
Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico
*As of 2nd Week January 2013

FAS/Mexico Web Site: We are available at www.mexico-usda.com or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

FAS/Mexico YouTube Channel: Catch the latest videos of FAS Mexico at work <http://www.youtube.com/user/ATOMexicoCity>

Useful Mexican Web Sites: Mexico's equivalent of the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx, the equivalent of the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx, and the equivalent of the U.S. Food and Drug Administration (SALUD) can be found at www.salud.gob.mx. These web sites are mentioned for the reader's convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Subject	Date Submitted
MX2076	Sugarcane Reference Price Up Slightly	10/30/2012
MX2068	2012 Sugar Semi-annual.	9/27/2012
MX2019	2012 Sugar Annual.- Production and Exports Forecast to Rise Next Year	04/10/2012
MX2002	Mexico Rolls Out Electronic Sugar Marketing Platform	01/09/2012